

Campfire Mines Ltd 23.3% interest

# Cochenour

COCHENOUR WILLANS GOLD MINES LIMITED  
ANNUAL REPORT 1978

Consolidated Wilmarcs  
Wilmar  
RWNC

NAME CHANGED TO  
WILANOUR RESOURCES LTD, 1979







## **Board of Directors**

Robert E. Fasken, Mississauga, Ontario  
*Mining Executive, Chairman, Camflo Mines Limited*

Courtier V. Maltby, Toronto, Ontario  
*Chartered Accountant*

Murdock C. Mosher, Toronto, Ontario  
*Prospector*

Brian K. Meikle, Mississauga, Ontario  
*Geologist, Vice-President of Operations, Camflo Mines Limited*

John B. McLellan, Toronto, Ontario  
*Partner, Fraser and Beatty, Barristers and Solicitors, Toronto, Ontario*

Robert M. Smith, Oakville, Ontario  
*Mining Engineer, President, Camflo Mines Limited*

## **Officers and Staff**

Brian K. Meikle — *President*

John B. McLellan — *Vice-President*

Robert M. Smith — *Vice-President*

David Doig — *Secretary*

Robert D. Sherman — *Treasurer*

R. Geoffrey Newbury — *Assistant Secretary*

## **Executive and Head Office**

Suite 3001, South Tower  
Royal Bank Plaza  
Toronto, Ontario M5J 2J1

**Cochenour**

COCHENOUR-WILLANS  
GOLD MINES LIMITED  
ANNUAL REPORT 1978

## **Transfer Agent and Registrar**

Canada Permanent Trust Company  
Toronto, Ontario

## **Auditors**

Thorne Riddell & Company  
Toronto, Ontario

## **Solicitors**

Fraser & Beatty  
Toronto, Ontario

## **Bankers**

Canadian Imperial Bank of Commerce  
Toronto, Ontario

## **Share Listing**

Toronto Stock Exchange  
Symbol — CWG

## **Annual and General Meeting of Shareholders**

June 22, 1979  
Quebec Room, Royal York Hotel  
Toronto, Canada





*Cochenour plant and offices are being maintained.*

Photo: R. D. Sherman

## Directors' Report to the Shareholders

This Annual Report for the year ended December 31, 1978 reflects the new financing obtained during the year from a rights offering to shareholders.

### Financial

A total of \$896,000 was raised through the offering of additional shares. At year end, working capital stood at \$791,097 compared with a working capital deficiency of \$32,088 at the end of the previous year.

Camflo Mines Limited, which already had an investment in your Company, underwrote the rights offering. Camflo now has a 23.3% interest in Cochenour.

At the Annual and General Meeting to be held on June 18, 1979, shareholders will be asked to consider a reorganization of share capital on the basis of one new share for every five shares

outstanding. Shareholders will also be asked to approve the creation of an additional 3,514,060 shares to bring the authorized share capital to 5,000,000 shares, of which 1,378,515 would then be issued and outstanding. The purpose of this capital reorganization is to place Cochenour in a position to undertake equity financing should suitable conditions and projects develop. Shareholders will also be asked to approve a change in the Company's name to **Wilanour Resources Limited**.

### GOLD

The price of gold continues to be strong at prices around \$250 an ounce in U.S. currency. This represents a price equivalent of over \$290 an ounce in Canadian currency.

Inflation continues to be a problem so that any efforts to open new mines or re-open former



producers must take into consideration the substantial rise in capital and operating costs in recent years.

Camflo Mines, the major shareholder of Cochenour, is currently directing an extensive evaluation program embracing all of Cochenour's interests in the Red Lake area of Northwestern Ontario and including properties of affiliated companies.

The accompanying map shows the considerable extent of the properties being reviewed. These properties include three former gold producers: Cochenour, Wilmar and Annco.

Your Company's principal assets and activities include the following:

#### **Cochenour Property**

This gold mine was in production from 1939 through 1971. A 400 ton per day milling plant has been maintained on the property. The mine has extensive underground workings which provide access to the adjoining Wilmar, Annco and Consolidated Marcus properties.

#### **Wilmar Mines Limited**

Cochenour holds 65% of Wilmar Mines Limited, a former gold producer in the Red Lake area of Northwestern Ontario. The other principal shareholder is Neomar Resources Limited with a 35% interest.

The Wilmar property was first opened up by a drive from the adjoining Cochenour mine on the 1300 ft. level and an internal winze to 2116 ft. Ore was shipped to the Cochenour mill from 1967 to 1971 when operations ceased. Underground and surface exploration programs carried out during 1973-1975 indicated some additional potential ore on the property.

A mill test was run on 18,000 tons from the large low grade, Wilmar West (granodiorite) zone in 1975. Average grades of 0.098 ozs./ton of gold and 0.139 ozs./ton of silver were obtained. Shortly thereafter, the price of gold fell to \$127.50 U.S. per ounce, work was discontinued and the Cochenour and Wilmar workings were allowed to flood.

#### **Annco Mines Limited**

Cochenour owns 55% of Annco Mines Limited

with Neomar Resources Limited holding 45%. The Annco and Wilmar properties adjoin each other and the Cochenour property. Annco is also a former producer which was opened up by a drive from the Cochenour ground and ore was shipped to the Cochenour mill from 1965 to 1971. Operations ceased in 1971 and the workings were flooded following the 1975 shutdown.

#### **Consolidated Marcus Gold Mines**

Cochenour has a 63% interest in Consolidated Marcus which has the property adjoining Cochenour's main property to the East.

Considerable drilling on surface and underground provided some promising indications of gold mineralization. Access underground was obtained by a drive from the 1300 ft. level at Cochenour. These results are also being reviewed.

#### **Gullrock Joint Venture**

Cochenour has a 20% interest in the Gullrock Joint Venture which is exploring for base metals in the Sobel Lake area, south of Red Lake. The program is under the direction of Selco Mining Corporation which holds the remaining 80% interest.

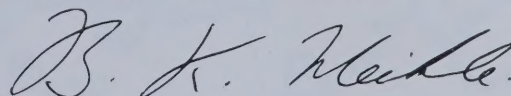
#### **Trout Bay Joint Venture**

Cochenour has an 80% interest in this exploration joint venture and its subsidiary company, Coin Lake Gold Mines Limited has a 10% interest. The remaining 10% interest is held by Selco Mining Corporation. At the moment no activity is planned in this venture.

#### **GENERAL**

The Directors wish to express their appreciation to Mr. E. Fahlgren and Mr. G. T. Smith for their services to the company. Mr. Fahlgren resigned as President and as a Director in order to take up a government appointment. Mr. G. T. Smith resigned as a Director. Mr. B. K. Meikle has been appointed President of the Company. We welcome Mr. C. V. Maltby and Mr. B. K. Meikle as new Directors.

On Behalf of the Board of Directors



May 14, 1979

President

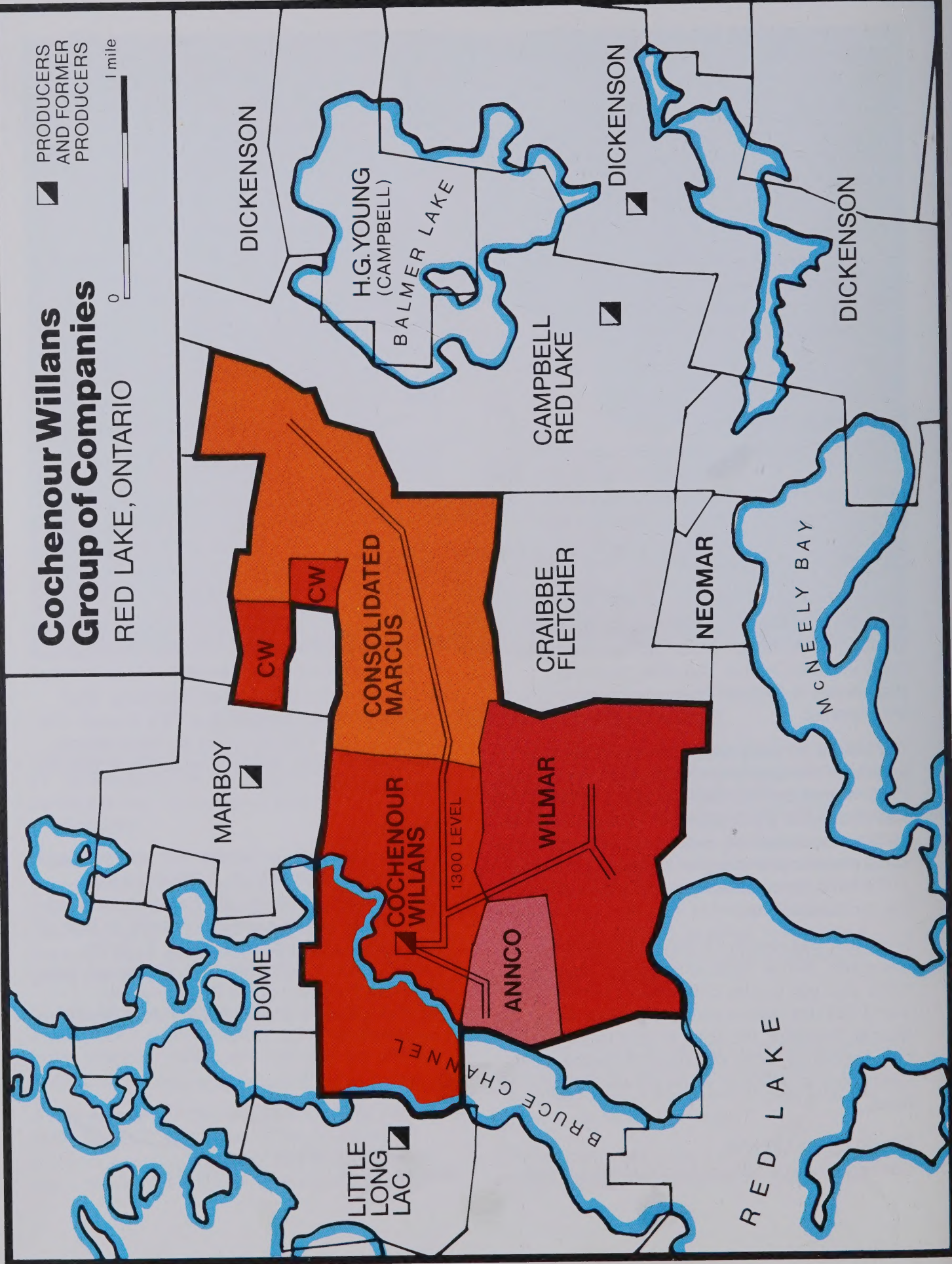


# Cochenour Willans Group of Companies

RED LAKE, ONTARIO

PRODUCERS  
AND FORMER  
PRODUCERS

0 1 mile





# **CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended  
December 31, 1978**



# Consolidated Balance Sheet

as at December 31, 1978

Assets	1978	1977
<b>CURRENT ASSETS</b>		
Cash and deposit receipts .....	\$ 703,470	\$ 9,265
Accounts receivable .....	40,209	46,532
Receivable from affiliated company Neomar Resources Limited .....	3,428	
Materials and supplies, at the lower of cost and replacement cost .....	103,255	110,754
Prepaid expenses .....	9,783	8,768
	<u>860,145</u>	<u>175,319</u>
<b>INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANIES (note 2) .....</b>	<u>—</u>	<u>—</u>
<b>OTHER INVESTMENTS</b>		
Shares in other mining companies, at cost less provision for loss on investment of \$13,690 (quoted market value \$2,830; 1977, \$1,530) ....	1,530	1,530
<b>FIXED ASSETS (note 3) .....</b>	<u>219,089</u>	<u>251,103</u>
<b>MINING CLAIMS AND LICENCES, at cost (note 4) .....</b>	<u>383,620</u>	<u>383,620</u>
	<u><u>\$1,464,384</u></u>	<u><u>\$ 811,572</u></u>



# Cochenour Willans Gold Mines, Limited

(Incorporated under the laws of Ontario)  
and its subsidiary, Coin Lake Gold Mines, Limited

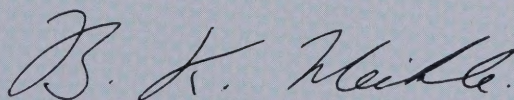
Liabilities	1978	1977
CURRENT LIABILITIES		
Bank advances, secured by assignment of account receivable .....	\$ 25,451	\$ 103,000
Accounts payable and accrued liabilities .....	35,009	104,407
Payable to affiliated companies		
Camflo Mines Limited .....	7,613	
Siscoe Metals of Ontario Limited .....	975	
	<u>69,048</u>	<u>207,407</u>
INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY .....	<u>30,612</u>	<u>34,505</u>

## Shareholders' Equity

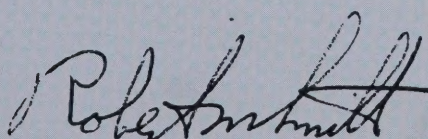
CAPITAL STOCK (note 5)		
Authorized		
7,000,000 Shares without par value		
Issued		
6,892,573 Shares; 1977, 5,169,430 Shares .....	4,849,098	3,953,064
DEFICIT .....	<u>3,381,664</u>	<u>3,289,546</u>
	1,467,434	663,518
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED BOOK VALUE .....	<u>82,474</u>	<u>91,326</u>
	1,549,908	754,844
CAPITAL STOCK HELD BY SUBSIDIARY COMPANY		
712,248 Shares .....	185,184	185,184
	<u>1,364,724</u>	<u>569,660</u>
	<u>\$1,464,384</u>	<u>\$ 811,572</u>

Contingent Liability (note 6)  
Commitments and Subsequent Events (note 7)

Approved by the Board



B. K. MEIKLE, Director



R. M. SMITH, Director



# Consolidated Statement of Income

Year Ended December 31, 1978

	1978	1977
Revenue		
Real estate income .....	\$ 44,558	\$ 40,687
Interest and dividends .....	7,920	5,542
Miscellaneous.....	11,122	3,274
	<u>63,600</u>	<u>49,503</u>
Expenses		
Mine and real estate .....	39,456	58,031
Administration.....	81,814	69,837
Depreciation.....	30,759	34,834
Municipal taxes.....	14,849	18,681
Insurance .....	14,915	11,711
Exploration and prospecting, net of grants received (note 6) .....	8,721	1,942
	<u>190,514</u>	<u>195,036</u>
Loss before the undernoted .....	<u>126,914</u>	<u>145,533</u>
Deduct:		
Gain on sales of machinery and equipment .....	27,768	37,275
Gain on sale of marketable securities .....		25,271
	<u>27,768</u>	<u>62,546</u>
	99,146	82,987
Add:		
Provision for loss on investment in and advances to unconsolidated subsidiary companies .....	10,362	4,979
Loss before minority interest .....	<u>109,508</u>	<u>87,966</u>
Minority share of loss of subsidiary .....	3,893	6,258
LOSS FOR THE YEAR .....	<u>\$ 105,615</u>	<u>\$ 81,708</u>
Loss per share .....	2¢	2¢



# Consolidated Statement of Deficit

Year Ended December 31, 1978

	1978	1977
DEFICIT AT BEGINNING OF YEAR		
As previously reported .....	\$3,296,827	\$3,221,134
Adjustment of excess of appraised value of fixed assets over depreciated book value.....	7,281	2,515
As restated .....	3,289,546	3,218,619
Unclaimed dividends .....	4,643	
Amortization of excess of appraised value of fixed assets over depreciated book value.....	8,210	8,306
Excess of appraised value of fixed assets over depreciated book value written-off on disposal of fixed assets during the year.....	644	2,475
	13,497	10,781
	3,276,049	3,207,838
Loss for the year .....	105,615	81,708
DEFICIT AT END OF YEAR .....	\$3,381,664	\$3,289,546



# Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1978

	1978	1977
WORKING CAPITAL DERIVED FROM		
Proceeds from sale of fixed assets .....	\$ 28,471	\$ 37,649
Issue of capital stock .....	896,034	156,978
Unclaimed dividends .....	4,643	
	<u>929,148</u>	<u>194,627</u>
WORKING CAPITAL APPLIED TO		
Operations		
Loss for the year .....	105,615	81,708
Items not involving working capital		
Depreciation .....	(30,759)	(34,834)
Provision for loss on investment in and advances to unconsolidated subsidiary companies .....	(10,362)	(4,979)
Loss on sales of real estate .....	(554)	(2,779)
Gain on sales of machinery and equipment .....	27,768	37,275
Minority share of loss of subsidiary .....	3,893	6,258
	<u>95,601</u>	<u>82,649</u>
Acquisition of shares of subsidiary company .....		156,978
Increase in investment in and advances to unconsolidated subsidiary companies .....	10,362	4,979
	<u>105,963</u>	<u>244,606</u>
INCREASE (DECREASE) IN WORKING CAPITAL POSITION .....	823,185	(49,979)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR .....	(32,088)	17,891
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR .....	<u>\$ 791,097</u>	<u>\$ (32,088)</u>

## Auditors' Report

To the Shareholders of  
Cochenour Willans Gold Mines, Limited

We have examined the consolidated balance sheet of Cochenour Willans Gold Mines, Limited as at December 31, 1978 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thunder Bay, Canada  
March 23, 1979

THORNE RIDDELL & CO.  
Chartered Accountants



# Notes to Consolidated Financial Statements

Year Ended December 31, 1978

## 1. Accounting Policies

### (a) Basis of consolidation

At December 31, 1978, the company owned 2,453,155 shares of Coin Lake Gold Mines, Limited. The subsidiary in turn owns 712,248 shares of the capital stock of Cochenour Willans gold Mines, Limited.

The consolidated financial statements include the accounts of Coin Lake Gold Mines, Limited, a 50.2% owned subsidiary.

The remaining subsidiaries are inactive and are considered immaterial and their accounts have not been consolidated in these financial statements.

### (b) Fixed assets

The townsite buildings were appraised at market value on December 31, 1969 by O'Brien Agency Limited. These assets are reflected in the accounts at appraised value less accumulated depreciation. The unamortized increase in value resulting from the appraisal in 1969 is reflected in shareholders' equity as "Excess of appraised value of fixed assets over depreciated book value". The company has amended the unamortized balance of the account and the comparative figures have been adjusted accordingly. These adjustments have no effect on the statement of income.

All other fixed assets are recorded at cost.

The company records depreciation on its operating assets on a diminishing balance basis at annual rates of 15%. It records depreciation on residential dwellings on a straight line basis at an annual rate of 5%. The excess of appraised value of buildings over depreciated book value is being amortized on a straight line basis at an annual rate of 5%.

### (c) Recovery of costs

The recovery of the costs of mining claims and licences is dependent upon the companies obtaining adequate financing and developing commercially feasible mineral deposits.

The recovery of the costs of inventories of materials and supplies is dependent upon the market for the sale of such inventories or upon the reactivation of the plant.

### (d) Comparative figures

Certain of the 1977 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1978.

## 2. Investment in and Advances to Unconsolidated Subsidiary Companies

Details of investment in and advances to unconsolidated subsidiary companies are as follows:

	1978	1977
Wilmar Mines Limited		
Shares, at cost .....	\$1,992,909	\$1,992,909
Advances .....	1,029,329	1,024,461
Less provision for loss on investment .....	(3,022,238)	(3,017,370)
	<u>—</u>	<u>—</u>

	1978	1977
Annco Mines Limited		
Shares, at cost .....	479,998	479,998
Advances .....	199,116	197,998
Less provision for loss on investment .....	(679,114)	(677,996)
	<u>—</u>	<u>—</u>
Cochenour Explorations Limited		
Shares, at cost .....	121,439	121,439
Advances .....	157,664	156,205
Less provision for loss on investment .....	(279,103)	(277,644)
	<u>—</u>	<u>—</u>
Consolidated Marcus Gold Mines Limited		
Shares, at cost .....	86,240	86,240
Advances .....	54,011	51,458
Less provision for loss on investment .....	(140,251)	(137,698)
	<u>—</u>	<u>—</u>

### Wilmar Mines Limited

Under the terms of agreements dated January 8, 1974 and January 24, 1975, the company and Neomar Resources Limited (formerly Martin-McNeely Mines Limited) agreed to advance funds up to \$1,200,000 in the aggregate, in the ratio of 65:35, to finance exploration and development of Wilmar Mines Limited. Advances so made may be converted for shares in the capital stock of Wilmar Mines Limited at the rate of 1 share for each dollar so advanced. It is expected that this agreement will be extended to include advances in excess of \$1,200,000.

Advances made and not converted for shares were as follows:

	Requirement	Advanced	
		1978	1977
Cochenour Willans Gold Mines, Limited .....	\$ 780,000	\$1,029,329	\$1,024,461
Neomar Resources Limited .....	420,000	3,428	424,330
	<u>\$1,200,000</u>	<u>\$1,032,757</u>	<u>\$1,448,791</u>

At December 31, 1978, the company was anticipating the acquisition of a further 788,042 shares in accordance with the agreement.

Wilmar Mines Limited has transferred its mining claims to Cochenour Willans Gold Mines, Limited and Neomar Resources Limited to be held in trust for Wilmar Mines Limited pending completion of negotiations for a transfer of the claims to its shareholders (note 7).

At December 31, 1978 the company owned 2,684,331 shares of Wilmar Mines Limited, representing 59.1% of the issued capital stock.

### Annco Mines Limited

At December 31, 1978, the company owned 1,600,000 shares of Annco Mines Limited, representing 55% of the issued capital stock.



# Cochenour Willans Gold Mines, Limited

## and its subsidiary, Coin Lake Gold Mines, Limited

### Cochenour Explorations Limited

Under the terms of an agreement dated January 21, 1966, Cochenour Explorations Limited may request advances from its shareholders to a maximum of \$250,000, in proportion to their shareholdings, should the board of directors of Cochenour Explorations Limited determine that the exploration properties warrant the expenditure of additional funds. Default on such requests can result in the forfeiture of a pro-rata portion of the shareholders' shares in the company to the other shareholders. It is expected that this agreement will be revised to increase the maximum contribution requirement.

At December 31, 1978, in compliance with the present agreement, Cochenour Willans Gold Mines, Limited was committed to a maximum advance of \$127,500 based on present shareholdings. \$128,502 has been requested to date. The company has made advances to December 31, 1978 totalling \$157,664 of which \$29,162 has been advanced in anticipation of taking over the shares of delinquent shareholders who have failed to pay their proportionate share of expenditures incurred pursuant to this agreement.

At December 31, 1978, the company owned 255,000 shares of Cochenour Explorations Limited, representing 51% of the issued capital stock and was anticipating the acquisition of a further 11.6% of the issued capital stock.

### Consolidated Marcus Gold Mines Limited

At December 31, 1978, the company owned 1,780,700 free shares of Consolidated Marcus Gold Mines Limited representing 57.4% of the issued capital stock. A further 249,995 shares are held in escrow to be released if and when the company has caused Consolidated Marcus Gold Mines Limited to bring its mining claims into production.

### 3. Fixed Assets

	1978	1977
Land .....	\$ 1	\$ 1
Buildings		
Townsite .....	274,260	276,174
Other .....	488,285	489,566
	762,545	765,740
Less accumulated depreciation .	605,185	587,262
	157,360	178,478
Machinery and equipment .....	1,648,726	1,674,983
Less accumulated depreciation .	1,586,998	1,602,359
	61,728	72,624
	<u>\$ 219,089</u>	<u>\$ 251,103</u>

### 4. Mining Claims and Licences

	1978	1977
Cochenour Willans Gold Mines, Limited .....	\$ 248,465	\$ 248,465
Coin Lake Gold Mines, Limited (including \$129,031 excess of cost of shares acquired by the company over net book value of the company's portion of the underlying assets) .....	135,155	135,155
	<u>\$ 383,620</u>	<u>\$ 383,620</u>

### 5. Capital Stock

During the year the company made a rights offering to its shareholders granting the right to each shareholder to subscribe for one additional share of capital stock at a price of 52¢ for each three shares of capital stock previously held. Camflo Mines Limited agreed to purchase all shares under the rights offering for which subscriptions were not received. 1,723,143 shares were issued.

As a condition of the agreement with Camflo Mines Limited the company has undertaken a consolidation of its shares on the basis that one new share will be issued in exchange for five of the present shares; that the company will increase its authorized share capital by an additional 3,514,060 shares to 5,000,000 shares; and that until October 31, 1983 any additional issuance of shares shall be by way of a rights offering with Camflo Mines Limited retaining the right to purchase all shares not subscribed for until Camflo Mines Limited or its affiliates hold 25% of the total outstanding shares.

At December 31, 1978 Camflo Mines Limited held 1,608,756 shares of the company representing 23.3% of the issued capital stock of the company, of which 1,273,022 were acquired pursuant to the rights offering.

The company has set aside 85,000 shares of its capital stock for the granting of options in the future.

### 6. Contingent Liability

Under the terms of certain agreements, the Ministry of Natural Resources, Ontario, has agreed to reimburse a portion of certain expenses incurred for the exploration of minerals. Should the exploratory work result in the discovery and development of a commercially feasible mineral deposit, amounts so advanced by the Ministry become repayable without interest. Advances to December 31, 1978, total \$97,019.

### 7. Commitments and Subsequent Events

The company has accepted offers to purchase certain townsite properties for \$27,000 in the aggregate. The sales are to be completed during 1979 and will result in a gain on sales of approximately \$19,000.

The company is continuing negotiations to acquire a pro-rata share of the mining claims of its subsidiaries, Annco Mines Limited and Wilmar Mines Limited, incidental to an intention to surrender the charters of the subsidiaries under the provisions of The Business Corporations Act, Ontario.

### 8. Other Statutory Information

Remuneration of directors and senior officers as defined by The Business Corporations Act amounted to \$35,016; 1977, \$32,494.







